



# Department of Administrative Services

## Interdepartmental Memo

Interoffice Address: CAB-607-10

To: Commissioner Dowlin, Commissioner Heimlich, and Commissioner Portune

From: *David Krings* and Eric Stuckey *Eric*

Subject: PFM Model Update

Date: 02/18/2003

Copy: Joan Gilmore, Jim Cundiff, Karen McFarland

The most recent PFM model is attached. A summary of the changes through the construction period ending 12/31/2004 included in the model are listed below, and are divided into the categories of increases to resources and decreases to resources.

### Increases to Expense/Decreases to Revenue

- Changes to construction cost estimates and bid results increased the estimated Great American Ballpark cost to \$279.3 million for the County and \$11.2 million for the Reds. Costs were based on the table 4 forecasted cost to complete as of 9/30/02. The prior model used a forecasted cost to complete as of 5/30/02.
- The estimated reimbursement from the National Underground Railroad Freedom Center (NURFC) decreased as a result of construction cost adjustment and some reimbursements incorrectly attributed to the NURFC instead of the City of Cincinnati.
- Property taxes increased slightly by \$25,341 based on 2002 actual bills.
- A correction to the COA refund combined with an additional receipt of \$80,103 resulted in a decrease of \$176,475 to refunds from this source

### Increases to Revenue/Decreases to Expense

- The model reflects sales tax revenue through January 2003 and also assumes sales tax will grow at a rate of 2% during 2003 and 2004. All prior models assumed sales tax would grow at a rate of 3% during the construction period. The combined effect of these changes is an increase in revenue during construction of \$409,332.
- Additional funds of \$500,000 were added to the existing estimate of \$1,000,000 to be transferred out of the Cinergy Field fund when it is closed, which will take place in the next couple of months.
- The Sales Tax Stabilization Fund, required to be 10% of the annual amount of sales tax in the highest year, is invested and earned interest in an amount greater than needed to cover sales tax growth. In 2002 \$286,412 was transferred to the Parking fund and is available for expenditure.
- The interest rate assumption on the variable rate Parking Debt was 6% in the prior model. In this model the assumption was changed to 4%, still well above the average of the past 10 years. In addition, the actual interest rate paid through

12/31/02 of 1.87% is reflected in the updated model. These changes result in reduced debt service of \$1,418,005 through the end of construction.

- Parking revenue was better than estimated during 2002 with an increase of \$1,289,822.
- The Red's contribution reflects the increase in estimated construction costs as well as a corrected assumption from the prior model for a total increase of \$20,181,224. The total Red's contribution is the original \$30 million in the agreement between the County and the Reds plus \$10.5 million from the Reds for costs above the \$280 million.
- Estimated reimbursements from the City of Cincinnati have increased \$6,495,825 as a result of construction components of the Public Improvement project which are 100% reimbursed by the City of Cincinnati, as well as some adjustments to estimates and the Underground Railroad Freedom Center correction noted above.
- The prior model assumed notes would need to be issued to cover the balance of funding pledged by the state of \$24 million until appropriation by the state in the '05-'06 biennium. Since \$10 million was appropriated for the current biennium only \$14 million will need to be borrowed, improving the amount available for construction by \$240,843.
- The change in the state contribution and related borrowing noted above results in reduced debt service of \$500,961 through the end of construction.
- Estimated interest on the team's contribution as well as the actual interest earnings on the 2000A&B debt proceeds before expenditure increased \$312,009 and \$917,910 respectively, for a combined total increase of \$1,229,919 in interest earnings.
- A detailed review of the debt issuance costs resulted in a decrease of \$38,811 in the costs shown in the PFM model.

In general this model presents an improved fund balance through the end of the construction period, 12/31/04, as shown on pages 34 and 35.

The County still faces annual deficits for the period 2005 through 2026 that range from \$634,000 to \$9,304,000 using a 3% growth scenario as shown on pages 6 and 7. Compared to the prior model, ongoing operations beginning in 2005 have improved somewhat, primarily due to the reduced interest expense assumption of 4% on the variable rate Parking Revenue Bonds.

If you have any questions please let me know.